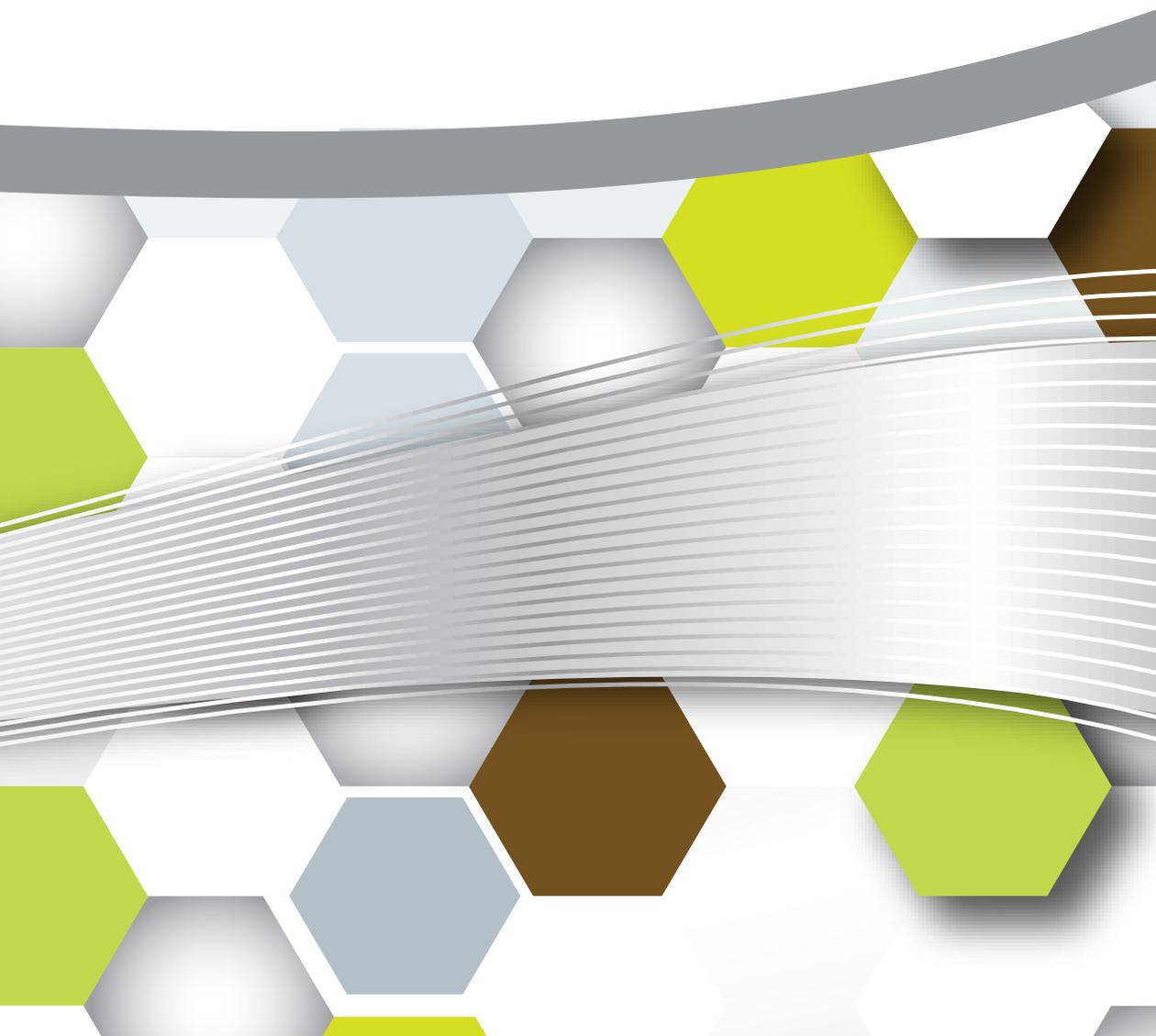


*Strong partnership for an
enhanced Social Dialogue in the
Textile, Clothing and
Leather sector*



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1. ABOUT THE PROJECT

Strong TCL: Strong partnership for an enhanced Social Dialogue in the Textile, Clothing and Leather sector in Slovenia, Croatia, Macedonia, Montenegro and Serbia (August 8, 2013 - August 31, 2014)

The Strong TCL project contributed to integrating social partner organizations in participating countries and support future activities in the frame of European social dialogue, with a view to strengthen the capacity of social partners in social dialogue both at national and European level. As the most meaningful form of social dialogue within one country is collective bargaining, project partners wanted to pass on knowledge of collective bargaining and collective agreements and present their role in the transposition of Union law into the national laws.

Aims of the project were:

- Promoting the implementation of the Acquis Communautaire in the area of social dialogue in Croatia, the FYR Macedonia, Montenegro and Serbia, and helping the social partners to build their capacity to adopt and implement EU law, as well as European standards;
- Increasing the awareness and understanding of employers and workers representatives of European (Sectoral) Social Dialogue and the fact that it is a level where the voice of national social partners and sectors can be heard in order to maintain the activity and competitiveness as well as employment in Europe;
- Adaptation of social dialogue to changes in employment and work related challenges, such as the modernisation of the labour market, flexicurity, skills, quality of work and decent work;
- Making the employers' and employees negotiators at the sectoral level acquainted with the relevant content of the collective agreement (concrete example) and instruct them on techniques / skills of negotiations in order to further develop and strengthen social dialogue, which is essential for achieving long-term prosperity and social peace;
- Strengthen the capacity of social partners in Slovenia, Croatia, Macedonia, Montenegro and Serbia to contribute to European Social Dialogue.

Expected deliverables were:

- a publication with manual on social dialogue and collective bargaining in the TCL sector in Slovenian, Croatian, Macedonian and Montenegrin language;
- national workshops in Croatia, Montenegro and FYR of Macedonia to identify the elements necessary to allow the national social partners to take part in European social dialogue in the TCL sector, including a seminar for employers' negotiators (capacity building of negotiators in collective bargaining);
- panel discussions on social dialogue and the modernisation of labour markets in all SEE partner countries;
- study tour visiting social partner representatives and companies in the TCL sector in Slovenia (best practice examples, workshops, meetings);
- final conference with a press conference on social dialogue in the TCL sector on European and national level;
- websites on (European) social dialogue, changes in employment and work, modernisation of labour market etc.

Project partners:

HUP UTKI - Croatian Employers' Association of Textile and Leather Industry, BCM - Business Confederation of Macedonia, MEF - Montenegrin Employers Federation, STUPIS - Trade Union of the Slovenian Textile and Leather-Processing Industry, STKC - Trade Union of workers in textile, leather and shoe making industry of Rep. of Macedonia, STOKG - Trade Union of Textile, Footwear, Leather and Rubber of Croatia, TUCPTIM - Trade Union of Textile, Leather, Pharmaceuticals and Chemical Industry of Montenegro, AUTLFIS - Autonomous Union of Textile, Leather and Footwear Industry Workers of Serbia, TU IEM NEZAVISNOST - Trade Union of Industry, Energy and Mining Nezavisnost (Serbia)

With support by the European sectoral social partner organisation:

EURATEX - European Apparel and Textile Organisation, COTANCE - Confederation of National Associations of Tanners and Dressers of the European Community, industriALL - European Trade Union.

2. EUROPEAN SOCIAL DIALOGUE IN TCL SECTOR

Social Dialogue between representatives organisations of workers and employers at all levels is essential for sustainable development, growth and employment creation, business performance and international competitiveness, job quality and good employment practices, as well as efficient and productive industrial relations.

The joint actions by the social partners are supported by the European Commission that encourages the Social Dialogue as central to improving understanding, building trust, reaching agreement and developing concrete outcomes of practical importance for workers and employers, including joint positions, good practices, guidelines and code of conduct, framework of action and negotiated agreements.

The European Social Partners are representative EU level organisations which are engaged in the European Social Dialogue. The question of representativeness is a fundamental point and constituted the basis of their right to be consulted by the CE.

2.1 EU social partners at TCL social dialogue

industriALL

The industriALL European Trade Union is an organisation of independent and democratic trade unions representing manual and non-manual workers in the metal, chemical, energy, mining, textile, clothing and footwear sectors and related industries and activities.

The industriALL European Trade Union unites trade unions of the basic, production and energy industries and is organising over 7 million members from 196 national affiliates.

Its main working areas are:

- Industrial Policy and Industrial workers' vision for a sustainable European industry;
- Active company policy for sustainable jobs and working conditions;
- Coordination of Collective Bargaining and Social Policies;
- European Social Dialogue: building our capacity for joint action, maximising policy impact, developing our capacity for negotiation.

The industriAll European Trade Union is Social Partner in 11 European Sectoral Social Dialogue Committees (SSDC's). In the sector for Textiles, Clothing, Leather and Footwear, we are Social Partner in the SDC for Textiles & Clothing (with EURATEX as counter partner), the SDC for Tanning & Leather (with COTANCE as counter partner) and the SDC for Footwear (with CEC as counter partner).

COTANCE

COTANCE, The Confederation of National Associations of Tanners and Dressers of the European Community, is the representative body of the European Leather Industry. It is a non-profit organization established in order to promote the interests of the European tanning industry at international level. Apart from representing European tanners and dressers, it also has the mission of promoting European leather both in the European and international markets.

It gathers almost all leather producers associations of the EU, connecting over 95% of EU tanneries (+/- 3000). It is an umbrella organisation based in Brussels with member associations in IT, ES, FR, DE, UK, PT, NL, SE, BE, RO, BG and LT.

COTANCE is the Employers side of the sector's Social Partners at EU level. Together with industriAll (European Trade Union), COTANCE has developed a Social Dialogue addressing issues in the area of social & environmental performance, health & safety, education, training and skills, etc.

COTANCE also lends its secretariat to GERIC, the Grouping of European Leather Technology Centres, bodies that relay technical information to the leather industry. This has led to a series of advanced technology projects in the field of environmental protection, quality assurance and high-tech applications, as well as training.

EURATEX

EURATEX, The European apparel and textile confederation, as the voice of the European textile and clothing industry, where main objective is to create an environment within the European Union which is conducive to the manufacture of textile and clothing products.

EURATEX's main objective is to promote the interests of its members while taking into account the European Union's institutional framework and its international obligations. Its headquarters in Brussels are within touching distance of the major decision-making bodies of the EU, at Commission, Parliament and Council level. In this context, the major areas of concern to EURATEX are to foster a new framework for textile & clothing trade policy, to promote a further expansion of the EU exports of textiles and clothing, to promote legislation and its application in the field of intellectual property, to support measures which enhance environmental protection but which are at the same time acceptable to the industry, to promote and participate in research, development innovation and other educational or social projects which bring value added to the industry at European level, to engage in a constructive social dialogue at EU level with our social partners, and to disseminate economic and statistical data to the membership.

EURATEX's organisation, located in Brussels, is staffed to address the above objectives, to provide a number of associated services and to supply its members with the information and data necessary for them to further their industry's aims at national level and branch level.

2.2 Organisation at EU social dialogue and main achievements

On the practical side, the Social Partners decide on the rules of the procedure of their committee on its annual rolling multi-annual work programme and on the nature and implementation of their work. The EC provides logistic and administrative support to the committee.

European social dialogue refers to discussions, consultations, negotiations and joint actions involving organisations on equal representation from the two sides of industry, employers and workers, and also some public authorities attend the formal meetings to provide some clarification on specific issues when the Social partners request it.

The meetings dates, agenda and working programme are fixed by IndustriAll with the counter partner COTANCE (for the Tanning and Leather) and EURATEX (for the Textile and Clothing) with the Organisational & Financial support of the European Commission.

The work programme is discussed and set by the employers and trade unions attending the Social Dialogue plenary meeting on the previous year.

The Tanning and Leather Social Dialogue was formally established on 2000 for consultation, development of joint initiatives and negotiation but already in 1998 ETUF and COTANCE had set up an informal working group. The internal rules of procedure were adopted in September 2004 for the tanning and leather.

In 1992, the European social partners in the Textile and Clothing sector (former Comitextil for the Textile employers representatives, former ECLA for the Clothing employers representatives and former ETUF: TCL for the Trade Union representatives) responded positively to the request of the European Commission to launch a Social Dialogue in the sector. By setting up an "Informal working group", the social partners were laying the foundations for their European sectoral Social Dialogue. And in March 1999 they formalized a new Sectoral Dialogue Committee (SDC) for textiles and clothing.

The social partners immediately adopted their rules of procedure which specify the objectives and the working procedures of the SDC:

- The fundamental principle of autonomy of the social partners when choosing discussion topics (setting a work programme every year) and of compliance with the principle of subsidiarity ;
- Objectives of the SDC:
 - o Advise the Commission on the initiatives related to the social policy and to the evolution of European policy which have a social impact on the European textile and clothing sector;
 - o Encourage the Social Dialogue in the Textile and Clothing sector on issues of Community dimension to contribute to the development of employment and to promote the competitiveness of the sector.

Employees and employers representations meet in formal meetings for the Social Dialogue 3 to 4 times a year in formal working groups chaired by a representative of the EU Commission, including one plenary meeting. But also the European counter partners have several informal meetings where they discuss and comment the current issues and matters of the industry.

The agenda for the Tanning and Leather Social Dialogue Committee has been enlarged since their origin, and it is currently focusing on:

- Social affairs with projects as European Skills Council; Leather is my job! And other project proposals;
- Environmental issues: Environmental footprint of Leather; Environmental Reporting, etc.;
- Trade & Industry: Raw materials availability, defence of the industry, Labelling of leather, etc.

At the same time and progressively the Textile and Clothing discussion topics were enlarged and diversified, thus leading to a discussion on more topics in plenary and to ongoing work on concrete projects:

- Systematic consultation of EURATEX and its EU Social partner by the Commission on all the social and economic topics concerning the textile and clothing chain (WTO negotiations; Free Trade Agreements; action plan for the European textile and clothing industry; general EU policies and initiatives with an impact on the sectors);
- Code of conduct, social rights and CSR ;
- Need to reduce indirect wage costs (social charges);
- Education and training needs and evolution (EU TCL Skills Council) and follow-up of the EU policies and initiatives in this area;
- Environment issues with an impact on workers (as Reach and other EU topics and initiatives).

The main achievements of the Social Dialogue apart from the permanent and positive dialogue between the two EU Social partners on a daily basis may be non-exhaustively mentioned:

- Adoption and signature of the EU Code of Conduct in 1997 for Textile and Clothing and in 2000 for the Leather Social Dialogue (based on the equal desire of the EU Social partners to "develop fair and open worldwide trade and to work towards a European textile and clothing industry that is profitable, internationally competitive and based on the respect of both workers and employers". the major principles followed by the EU TC companies therefore refer to the hard core of basic ILO social standards, or "core labour standards") transposed in all the EU Member States and Candidate Countries;
- Publication of a Public Procurement awarding guide for the TC sector (to allow participants in public contract awarding procedures in the TC sector, to take quality criteria into account so as to be able to take advantage of bidder's professionalism and ability to provide the basic requirements such as: technical value, security, delivering time and after-sales service opportunities) Capacity Building platform of the social partners from the New Members States and Candidates countries;
- Creation of the first EU Sector Skills Council in Textile Clothing and Leather (supported by the EU Commission- DG Employment).

After about 15 years of social dialogue in our sectors, the balance of the results may be considered as quite positive, even if certain obstacles/difficulties/challenges still remain. The EU Commission services regularly inform and consult the EU TC Social partners in different areas that have a social and economic impact on the sector. Thanks to the various EU projects and initiatives, the sectoral social dialogue at national level improved significantly in many countries. The EU Social partners also adopted several common positions /recommendations, such as: common vision about the trade/ industrial/social and regional measures to be taken at EU-level for our TCL sectors (HLG) + many concrete follow projects. However, these EU Social Dialogue still remains a very important tool, as the EU Social partners have a great deal to do to face the increasing needs of the TCL sectors regarding job losses and restructuring, and the weakness of the sectoral Social Dialogue in some New Member States/Candidate Countries.

2.3 The example of the European TCL sector Skills Council

The high level of Social Dialogue in the TCL sectors has led to several concrete results. One of the most concrete examples is the European Skills Council for the TCLF Sectors.

European Skills Councils were part of the EU 2020 agenda, launched in 2010. As stated in the EU's [Agenda for New Skills and Jobs](#), the Commission supports the setting up of European Sector Skills Councils designed to anticipate the need for skills in specific sectors more effectively and achieve a better match between skills and labour market needs. This should be achieved by:

- providing more and better information about the skills situation in a given sector;
- helping develop skills governance in each sector and national skills policies by encouraging:
 - o national organisations to cater more effectively to the needs of the various sectors;
 - o organisations active in the same field to learn from each other;
 - o all organisations concerned to share information and experience.

The European TCL Social Partners *industriAll Europe*, *Euratex* and *Cotance* were already before 2010 working on the important issue of skills and qualifications. We could experience all over Europe that the availability of skilled workforce would be crucial for the future of the various TCL sectors in Europe to remain competitive and to keep the technological lead in a global market.

In 2008, *ETUF:TCL* (now *industriAll Europe*) and *EURATEX* submitted a joint project to locate and map existing national and regional Textile and Clothing (TC) observatories, identify best practices, disseminate them in the new member states and candidate countries, and prepare the interaction of these organisations.

In the following years, other projects were introduced to fine tune our knowledge and experiences with national observatories on skills and qualifications in the sectors of Textiles & Clothing, Tanning & Leather, Footwear.

In 2010 – 2011, the European Social Partners of the TCL sectors (first *industriAll Europe*, *Euratex*, *Cotance*; since 2014 also with *CEC*) introduced the request for a European project to establish the first European Sector Skills Council. And since December 2011, the TCL European Skills Council exists and is now used as benchmark for other sectors.

2.4 Mission of EU TCL Skills Council

The EU TCL Skills Council aims at improving the level of education, skills and employment in the Textile, Clothing and Leather (TCL) industries.

This core objective is pursued through an effective networking of the National Observatories and the European Social partners of the TCL sector, as well as through exchanging best practices between these national observatories.

Networking will enable better coordination at European level, exchange of best practices and the fostering of alliances within the TCL sector and with strategic partners outside the industries.

Decision-making will be facilitated by through monitoring of labour market developments and training needs, the production of surveys, reports and analysis on education- and training-related themes, and the

development and promotion of an effective innovation policy including technical research, technology transfers and vocational training to support the sustainability and flexibility of the industry.

2.5 National observatories

In 2014, the European TCL Skills Council gathers the of national observatories from Belgium (2), France, United Kingdom, Italy and Spain.

Currently, the members of the Council include:

- IndustriAll – European Trade Union;
- EURATEX - European Apparel and Textile Confederation;
- COTANCE - Confederation of National Associations of Tanners and Dressers of the European Community;
- CEC - European Confederation of the Footwear Industry;
- Cobot (BE) - Flemish Center for Education, Training and Retraining for the Textile and Hosiery Industry;
- IVOC/IREC (BE) - Institute for Research and Training in Dressmaking;
- Fundación Tripartita para la Formación en el Empleo (ES) - Tripartite Foundation for Employment Training;
- OPCALIA Textile – Fashion – Leather Division (FR);
- ONC (IT) - National Tanning Observatory;
- Creative Skillset (UK) - Creative Industries' Sector Skills Council.

The objective is to enlarge the Skills Council this year with observatories as well from other countries and from the Footwear sector. Countries like Portugal, Czech Republic, Romania and others will soon join the activities.

Together with the Council Board members (the four European Social partners : industriAll Europe, Euratex, Cotance, CEC), the Skills Council meets several times per year.

2.6 The European TCL Skills Council delivers concrete results

The European TCL Skills Council delivers results, which are concrete:

- increase the knowledge on the sector specificities (labour market, employment structure and needs,...) , best practices, skills education programs, policy recommendations through the publication of annual reports;
- stimulating joint initiatives between national observatories;
- coordination and harmonization with other initiatives in the field of education and qualification like ESCO, EU Skills Panorama, EURES, EQF;
- active work through a web-portal: <http://europeanskillscouncil.t-c-l.eu/eng/EuropeanSkillsCouncil.aspx>;
- regular publication of a newsletter to a network of over 500 specific partners in the business world, trade union movement, research institutes, universities and schools, etc.;
- being 'the' spokesperson on the topic of skills and qualifications for the sectors of Textiles&Clothing, Tanning & Leather, Footwear.

3. SOCIAL DIALOGUE IN SLOVENIA

History

The heritage of the former economic system as well as the circumstances of political and economic transition in the 1990s shaped the industrial relations environment that enabled the existing scope and content of social dialogue in Slovenia. Although both trade unions and employer organisations have a long tradition in Slovenia, it could be said that industrial relations started to assume their contemporary form only after the break with the communist regime. Constitutional and legal changes in 1989, which fundamentally changed the nature of the employment relationship, are a crucial point in the development of industrial relations in Slovenia (Vodovnik, 1999).

The Law on Basic Rights of the Employment Relationship replaced the so-called »associative« employment relationship with one based on the contract of employment. The 1989 law also contained the first legal regulations concerning collective bargaining and collective agreements (Skledar, 2002). In the 1990s new actors emerged in Slovene industrial relations and started to perform the new, previously non-existent roles of social partners. The change of economic and political system caused the reform of previously existing organisations and formation of new ones.

Trade union pluralisation was a consequence of the process in which some parts of the old trade union seceded from it and of the formation of new organisations.

Stanojevic (2003) establishes that ideological and political splits among Slovene trade unions in the early 1990s were, by the end of the 1990s, replaced by ideologically more neutral new groupings (based on the interests of employees in private industry and public services). New social partners were gaining power during the 1990s. According to Stanojevic (2004) the system of industrial relations that was established in the 1990s was characterised by: strong trade unions, centralised organisation of employers, a system of centralised collective bargaining and institutionalised tripartite communication (that presupposed openness of the government to the dialogue with social partners). Both the analysts and all actors of social dialogue unanimously consider that social dialogue in 1990s in Slovenia was a successful and a good basis for a successful transition to the market economy.

Legal framework

The legal framework of the industrial relations system in Slovenia is changing. The most important of these changes was the adoption of a new Law on Collective Agreements (LCA). It was in preparation for almost 10 years and it changed the position of employer associations with compulsory membership in collective bargaining and introduces a voluntary system of collective bargaining based on autonomous employer organisations and trade unions with voluntary membership. The LCA stipulates the following: the parties in collective agreements; the content; the procedure for conclusion; the form of agreements; the validity and cessation of agreements; the peaceful resolution of collective labour disputes and the recording and publication of agreements.

The current rules on trade union representativeness are based on the Law on the Representativeness of Trade Unions (LRTU), which has been in force since 1993 (Skledar, 2002).

Tripartite dialogue and Economic and Social Council

Social partners in Slovenia cooperate at national level in the Economic and Social Council (*Ekonomsko Socialni Svet*, ESS). ESS was established in April 1994 by a tripartite agreement on pay policy in the private sector as a central body for tripartite cooperation in Slovenia. Currently the ESS operates according to commonly adopted rules and not on legislation. During the 11 years of its existence, ESS has contributed to the successful implementation of basic economic and social reforms and the process of transition. The consultative function of ESS is realised through its activity in the preparation of legislation and other documents (such as social agreements and pay policy agreement) and giving opinions on working and draft documents that are relevant to the scope of ESS work: industrial relations; conditions of work; labour legislation etc. and broader issues affecting workers; employers and government policy. ESS discusses all reports or documents that in international/EU practice demand the opinion of the social partners. The ESS has 21 members (7 representing each of the three parties) and adopts its decisions unanimously. In case of differences in opinions, these are reported. ESS has working groups (members are representatives of all three parties, and sometimes independent experts) that contribute to resolving of issues on the ESS's agenda (e.g. drafting of law proposals, evaluating reforms of social security system and various tripartite agreements). Although ESS opinions and suggestions are not legally binding, they are taken into account in discussions and decision-making. The administrative costs of the work of ESS are covered from the state budget.

The main social actors agreed that social dialogue is the precondition for successful joint and individual actions. Thus social partners conclude 'social agreements' that cover important social and economic topics such as employment and unemployment policies, income policies, tax reforms, social policies, living and working conditions. The first social agreement was signed in 1995.

Besides the ESS, there are other institutions whose governing bodies have a tripartite or 'multipartite' structure, or include employers' and trade union representatives. The most important are those running social security schemes, such as agencies for employment and unemployment insurance, pensions and disability insurance, and health insurance. One of the bodies with a multipartite structure is the National Council (NC). According to the Constitution of the Republic of Slovenia, the NC is the representative body for social, economic, professional and local interests and has 40 members including four representatives of employers and four representatives of employees. The strongest power of NC is its right to require the National Assembly to reconsider a law prior to its promulgation. It can also convey to the National Assembly (NA) its opinion on all matters within the competence of the NA (Skledar, 2002b).

Bipartite social dialogue

The present collective bargaining structure in Slovenia is fairly centralised and inclusive. There are three levels of collective agreements in Slovenia: general agreements (for public sector); sectoral agreements and agreements for certain professions (in public sector e.g. doctors and journalists or agreements at the level of company (except for micro employers – up to 10 employees). The sectoral agreements are negotiated by sectoral trade union organisations and corresponding employers' associations (Stanojevic, 2001).

Unlike many other countries in EU (both old and new members) the bargaining coverage rate in Slovenia is high. Almost the total labour force is 'covered' by the provisions of collective agreements. The only two categories of employees that are not covered by collective agreements in Slovenia are managers (who have individual contracts) and higher administrative employees in the state administration and the administration of municipalities (Skledar, 2003).

4. CURRENT ECONOMIC SITUATION AND STATE OF PLAY IN SOCIAL DIALOGUE IN TCL SECTOR

4.1 Macedonia

The Macedonian clothing industry is struggling to survive the fast changing world trends. The situation is alarming because most of the production is low value added. T&C sector exports in EU around 25% of the total. Main Trading Partners are: Switzerland, USA, Russia, Turkey, Germany and China. T&C sector is mainly composed of SMEs- average 15 employees per company.

There are three main policies that affect entrepreneurs and employees in the sector: trade and customs policy, social policy and education policy. The most important steps in the area of trade and customs were taken in recent years through joining the World Trade Organization and signing Stabilization and Association Agreement with the European Union. Accessing to the WTO meant possibilities for trade increased. Having an agreement with the EU also gives more opportunities for export. But exporting to the EU is not easy for Macedonian clothing manufacturers. The main area that affects the competitiveness of clothing companies is the area of social policy. The Labour Law has been one of the main concerns of Macedonian producers. Macedonian companies complained that their work is cyclical, made in specific time period in so-called busy seasons and the workers need to work hard during that period. They have to work Saturdays and extra hours, whereas the law allows 40 hours a week¹.

The textile industry is a sector in Macedonia with a long tradition and experience. There are about 600 companies with around 40,000 employees, 27% of the total number of employees in Macedonian industry, dealing with this industry. In terms of employment clothing manufacturing is the biggest industrial sector, even though the number has been in decline since the late 1980s, when there were 62,518 employees. The textile industry participates with 12.45% of the total GDP and with 27% of the Macedonian export. The textile industry is spatially covers the entire territory of the Republic of Macedonia with a significant concentration in the eastern part of the country².

Textile production in Macedonia is fully adapted to the market conditions set by the West European countries. This means that T&C production meets the strict quality standards, terms of delivery, as well as the complete logistics that are required by the foreign partners. Considering the fact that in Macedonia there are cities and even entire regions in which the basic existential industry is the production of clothes and the textile sector in general, the accomplishment of minimum standards is more than important. The centre of the clothing production is in Eastern Macedonia, in Stip. There 5,610 (or 40 percent of all employed) work in 58 companies in the textile sector. This is more than in any other town in the country (Skopje has 3,851, Tetovo 3,549 and Bitola 2,541 people working in this sector). Most of the firms in the textile industry in Macedonia organized as small and medium enterprises, with a total number of employees of 30-500, average 15 employees per company³. This is a positive fact, because allows a huge flexibility to the companies in relation to the changing palette of products, the production of small series and a short period of delivery of the Final product, which is a key factor for successful cooperation with foreign partners and the survival of this branch, which is under the

¹ Ministry of Labour and Social Policy of Republic of Macedonia, www.mtsp.gov.mk;

² State Statistical Office of Republic of Macedonia, www.stat.gov.mk and Agency for employment of Republic of Macedonia, www.avrm.gov.mk;

³ State Statistical Office of Republic of Macedonia, www.stat.gov.mk; Central Registry of Republic of Macedonia, www.crm.com.mk;

constant pressure of competition and market principles. Macedonian textile production is mainly oriented towards exports, mainly to the EU market.

The government is responsible for establishing policies, regulatory framework and strategies for development of the textile sector. The main objective of placing these regulations is to strengthen the capacity of the private sector who has to deal with rapid change and growing competition. This is a long term process that involves:

- improving the regulatory environment on essential business services;
- supporting the emergence of qualified pools of expertise;
- adaptability of the workforce;
- improved market access for textile and clothing products and
- eliminating the obstacles to the establishment of retail distribution systems in developing countries.

Textile sector in Macedonia does not have a defined strategy that will be conducive to growth and innovation and enhance the economic competitiveness of this sector in the country. The coherent policy and regulatory framework for the textile sector is in the jurisdiction of the Ministry of Economy. The Ministry has an industrial department within which only one person specifically overlooks the developments in this industry. Macedonia does not have an industrial strategy document specifically for this sector.⁴

The existing Law on Labour Relations stipulates three levels of collective bargaining: national (for private and public sector, respectively); sectoral (branch) and single (for single employer). The national/general collective agreements are signed by representative confederations of unions and employers associations (for private sector) and by representative confederations of unions and minister of labour (for public sector). The sectoral (branch) collective agreements are signed by adequate and representative unions and employers associations. The collective agreements on sectoral level have power only for the signatories (meaning – members of the organization on the employers' side) and there is no possibility to extend the power to the others. The single collective agreements are signed between the (representative) union organization (trade union) in the company and the employer. According to the law, all levels of collective agreements are independent. However, since the unions negotiate them at all levels, it is generally accepted and implemented that each next level can stipulate only broader rights than the previous. This means that the single collective agreement usually stipulates broadest rights for the workers. At the moment, in Macedonia the General/National Collective Agreement for the private sector is on power, as well as few branch collective agreements and more single collective agreements. However, since by law the national agreements are obligatory for all employers both in the private and public sector, the coverage of employees appears to be 100%. A General/National Collective agreement in the private sector was signed in June 2010.

The tripartite dialogue on regional or local level is still in the very beginning.

The dialogue on sectoral level is working for the sectors with registered employers' organizations (as legally required for negotiating collective agreement). After concluding the General/National Collective agreement a few branch collective agreements were concluded. One of the branches is textile industry and the collective agreement was conducted in November 2007. Additional problem is that the labour law has been changed 11 times since 2005. Accordingly the collective agreements were subject to renegotiating and consolidation. Hence the collective agreement in textile sector was changed and adjusted three times, 2009, 2012 and 2013. The fourth change is still in negotiation. Main emphasis in the process of negotiations are given to respect for human rights, and, above all, workers' rights. This is result not only of trade union pressure or fear from the damage that inhumane working and employment conditions can cause to a brand's image, but also based on the simple economic logic that a company's productivity increases as its working conditions improve. Labour and environmental conditions are considered as a potential threat by many retailers and brands. A rapidly

⁴ Ministry of Economy of Republic of Macedonia, www.economy.gov.mk

growing minority of retailers and brands go further by setting up controls. They sometimes rely on independent monitoring organizations to verify that labour standards are complied by their suppliers. They also influence the health and safety conditions. Some go even further, by developing the strategy for corporate social responsibility companies, thereby making it a strategic factor for differentiating and creating a socially responsible brand. Thus they do not exclude craftsmanships.

Another thing is the increased number of companies that adopted the codes of conduct with special emphasis of environmental standards and ethics, including consultation of workers. Companies will need to ensure that their practices are in accordance with the labour standards\in relation to wage and working hours. The companies that are part of a large global supply networks need to respect the international standards. In some isolated cases there have been pressures by the employers for establishing unions on a company level, which have not been successful so far.

4.2 Montenegro

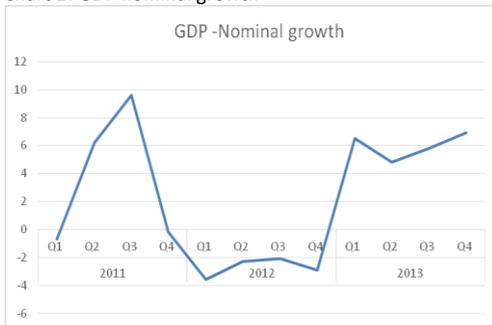
The following chapter will provide detail analysis of a current situation in Montenegro, with special focus on economic parameters in textile sector in Montenegro. Presenting the overall current economic situation is very important if we are to get insight into strengths of the specific sector, in this case – textile. It is obvious that this sector have been in a process of decreasing in each country for several years now which is an important factor for social partners when concluding collective agreements.

4.2.1 Current economic situation in Montenegro

After independence, in 2008, Montenegro was in a process of investment boom and all economic indicators showed that country was on the right way. After few years of very dynamic economic development of country, economic crises stopped that growth and made huge changes at Montenegrin labour market. The macroeconomic situation in the country is characterized as stable, but problems exist concerning the public debt and national budget deficit.

The following graph shows level of nominal growth of GDP in Montenegro in last 3 years.

Chart 1: GDP nominal growth



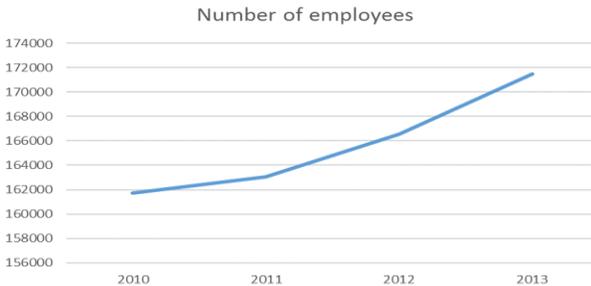
Source: MONSTAT, www.monstat.org

From this graph it is obvious that economic crisis had a huge influence on Montenegrin economy. GDP value in Montenegro had negative trends at the beginning of 2011 and almost the whole 2012.

In the aftermath of economic crisis, in 2013, indicators showed strong growth of Montenegrin economy. This is a period of recovery that some analysts consider promising for a new growth.

From the graph below, it is clear that number of employees have been growing from year to year. This trend is especially strong in the period of 2012 to 2013 and it can be directly connected with active labour policies measures implemented in Montenegro.

Chart 2: Total number of employees



Source: MONSTAT, www.monstat.org

The average salary in Montenegro in several last years is stable with very small fluctuation up and down. In 2013, average salary in Montenegro was at the level of 726€ gross and it was lower than in 2012. On the other side, unemployment rate is quite high.

Table 1: Other economic indicators for Montenegro

| | 2011 | 2012 | 2013 |
|-------------------|------|------|------|
| Average salary | 722 | 727 | 726 |
| Unemployment rate | 22.6 | 21.1 | 19.5 |
| Inflation rate | 3.1 | 4.1 | 2.2 |

Source: MONSTAT, www.monstat.org

In 2011 the rate of unemployment was on the level of 22.6 but in 2013 it decreased to 19.5%. A significant problem Montenegro is facing is a high rate of youth unemployment. The unemployment rate among persons aged 15-24 in 2013 was 41.6%.

4.2.2 Current economic situation in textile sector in Montenegro

The following table shows number of persons employed in textile in Montenegro. Although the data show that there are some positive trends in this field, economic strength of this sector is not so good. As we can see from the following table, a total number of employees in this sector is very low. According to this, the total number of employees in this sector in 2012 was only 0.38% of the total number of employees in Montenegro. If we compare these data with those for 2009, it is obvious that the share of employees in textile in total employment decreased.

Table 2: Number of employees in textile sector in Montenegro

| | 2009 | 2010 | 2011 | 2012 |
|--|-------|-------|-------|-------|
| Production of textile | 410 | 321 | 231 | 209 |
| Production of garment | 285 | 235 | 239 | 256 |
| Production of leather and leather products | 272 | 235 | 121 | 161 |
| Total textile | 967 | 791 | 591 | 626 |
| Percent in total employment | 0.56% | 0.49% | 0.36% | 0.38% |

Source: MONSTAT, www.monstat.org

In the table below is the official data on the level of salary in textile sector compared to average salary in Montenegro.

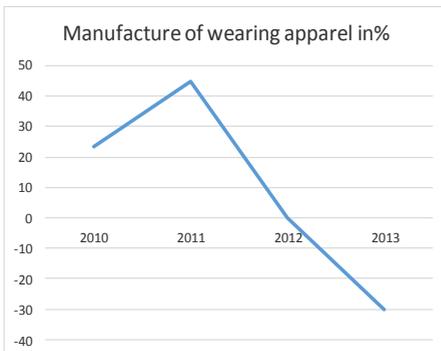
Table 3: Average salaries in textile compared to average salary in Montenegro

| | 2011 | 2012 |
|--|---------|---------|
| Production of textile | -4.99% | -19.94% |
| Production of garment | -61.08% | -46.91% |
| Production of leather and leather products | -57.89% | -53.23% |

Source: MONSTAT, www.monstat.org

The table shows that in all textile-related sectors average salaries are lower than the average salary in Montenegro. For example, the salary in the field of production of leather and leather products is 53.23% lower than the average salary in Montenegro in 2012. According to official data, production of textile and leather products had only a minor share in total industrial production in 2013. These two sub-sectors were just 0.2% of the total production (0.1% each).

Graph 3: Manufacture of wearing apparel



Source: MONSTAT, www.monstat.org

Compared to 2012, the manufacture of wearing apparel was higher in 2010 and in 2011. In 2011, this manufacture was 45% higher than in 2012.

Negative trends were recorded also in 2013, whereby the manufacture of wearing apparel was 30.2% lower than in 2012.

4.2.3 Social dialogue in Montenegro

Social dialogue in Montenegro is performed on a tripartite basis (Government of Montenegro, representative employers association and representative trade union associations), as well as on bipartite basis (trade unions on one hand, and employers on the other). Social dialogue is performed on both national and local level.

According to a Law on Social Council (2007), the national Social Council was established, representing the highest institutional framework for tripartite negotiations between social partners – Montenegrin Government, representative employers' and workers' associations, i.e. their official representatives. The Social Council comprises 33 members: 11 Government's officials, 11 officials from representative employers' association side (Montenegrin Employers' Federation) and 11 officials from representative workers' associations (6 officials from Confederation of Trade Unions of Montenegro and 5 officials from Union of Free Trade Unions of Montenegro). Social Council is also recognized in the articles of the Montenegrin Constitution (adopted by the Parliament in 2007): „*Social position of workers is coordinated in Social Council. Representatives of trade unions, employers and the Government are members of the Social Council*“.

The Council plays a central role in negotiations on amendments to the general collective agreement and may be involved in drafting proposals for laws through creation of working groups. Social Council considers and delivers opinions on issues, such as development and promotion of collective bargaining, influence of economic policy and its enforcement measures on social development and stability of employment, wages and price policy; competitiveness and productivity; privatization and other issues in terms of structural adjustment; environment and working environment protection, education and professional training; social and health safety and protection; demographic movements and other issues of importance for achievement and promotion of economic and social policy.

Montenegro has ratified 4 of the 6 ILO labour conventions on social dialogue, where C151 on the Protection of the Right to Organise and Procedures for Determining Conditions of Employment in the Public Service, and C154 concerning the Promotion of Collective Bargaining have not yet been ratified.⁵ In the last decade, several laws in the domain of labour and social legislation have been adopted, which are now adapted to the market economy conditions. Those are: Labour Code, Law on Employment and Right for Protection from Unemployment, Law on Employment and Work of Foreigners, Law on Amicable Labour Disputes Resolution, Law on Professional Rehabilitation and Employment of Persons with Disabilities, and, of course, previously mentioned, Law on Social Council.

Trade union's pluralism, both at the national (two trade union's associations) and the branch level (but not in all branches), needed also recognised representativity, and at the same time the creation of necessary legal infrastructure, in particular - adoption of Law on trade union's representativity in 2010.

Montenegrin Employers' Federation (MEF) is the only representative employers' association in Montenegro, whose status has been determined back in 2005, and whose members realize around 80% of the national GDP and employ over 65% of workers, which encompasses all branches of economic activity in Montenegro.

⁵ ILO. (undated). [Ratifications for Montenegro](#). NORMLEX – Information System on International Labour Standards. accessed 24 May 2013.

According to Labour Law there are three levels of collective agreements in Montenegro (general, branch and collective agreement at company level). At national level, there is one General Collective Agreement (signed by all three social partners) and 17 branch collective agreements. Collective agreements regulate wages, working conditions and relations, rights of trade unions and employers, as well as the procedures of correction, revision and conclusion of collective agreements. The content of those agreements is determined by Labour Law provisions.

To date, MEF has signed four branch collective agreements, with 4 more in the making.

In November 2010, social partners signed the Amendments to the General Collective Agreement at national level, the first since 2004. It then “grew into” so called temporal act since for the first time it was signed as the fix-term act. It endured many changes, whereby its legal effectiveness was first extended to December 31st 2011, then to June 30th 2012 and finally to September 30th 2013. Social partners signed new agreement in March 2014.

Social dialog in textile sector in Montenegro

Branch collective agreement for textiles, leather and rubber, chemical and pharmaceutical industries was signed in 2004 by Independent Trade Union of Textile, Leather and Chemical Industry of Montenegro and the Committee of Association of Textile, Leather, Rubber, Chemical and Pharmaceutical Industry of the Chamber of Commerce of Montenegro.

From that period many changes occurred: adoption of the Labour Law in 2008 and its changes and amendments in the end of December 2011; changes and amendments of the General Collective Agreement in 2011 followed by a new one signed in 2014, and, most importantly, the change of social partner from the employers’ side, i.e. „entrance“ of Montenegrin Employers Federation into social dialogue, as voluntary, representative employers’ association and the only employers’ representative in tripartite and bipartite social dialogue. In terms of bipartite social dialogue, a representative branch trade union is still Trade Union of Textile, Leather and Chemical Industry of Montenegro. All of this indicate needs for new negotiation and creation of new BCA.

Negotiations related to conclusion of Branch Collective Agreement for this sector, needed for alignment with provisions of Labour Law and General Collective Agreement, started in a period of implementation of the project. Social partners discussed the old BCA and they agreed that the new one should be more flexible and harmonized with current economic strength of textile sector in Montenegro.

Branch Collective Agreement concluded in 2004 is still in force and is applied to all employers and workers from this economic sector, except of those provisions that are opposite to Labour Law and General Collective Agreement provisions.

4.3 Croatia

4.3.1 Economic trends

In the new edition of *Croatian Economic Outlook Quarterly* (No. 60/October 2014) analysts from the Institute of Economics, Zagreb provide the latest forecasts and an analysis of economic trends in Croatia. From this issue:

Weaker-than-expected recovery of the eurozone and the accumulation of negative signals on the domestic scene have caused a downward revision of GDP projections for this and next year. We now expect GDP to decline 0.6 percent this year, down by 0.1 percentage points from our July forecast. This change is mostly due to a considerable decline of investments expected to reach 4 percent for the year as a whole. Strong dynamics registered in the foreign trade sector, especially in the exports of goods, is expected to weaken as it results partially from methodological changes. Negative trends passed through from this to the next year, tightened fiscal situation and heightened uncertainties over policy will result in softened recovery potential in the upcoming year. Therefore, our GDP growth projection for 2015 is now set at 0.2 percent, down from 0.7 percent projected three months ago. Positive contributions to the next year's recovery are expected from investments and export growth, although these are to be much weaker than what we expected earlier. No-growth environment, high fiscal deficits and booming public debt multiply the need for resolute actions taken by responsible leaders in order to gain control over negative trends. Croatia is already involved in corrective mechanisms of Excessive Deficit Procedure and Macroeconomic Imbalances Procedure. However, there is an impression that policy-makers' commitment to the implementation of key recommendations issued within these procedures is more formal than genuine. This leads us to expect that EDP targets will not be taken as binding in defining the 2015 Budget. On top of that, the latest fiscal figures from October 2014 show much higher public debt level than was previously expected. It is highly possible that Croatia will soon be requested to undertake more serious consolidation efforts in EDP than those in current recommendations dated from January 2014. If no serious consolidation actions are taken shortly, all options for fiscal developments are open in the near future, including stabilization programs involving the IMF and the EU.⁶

4.3.2 Employment in TCL sector (Sector for Textile, Footwear, Leather and Rubber)⁷

Table 4: Number of employees in paid employment in legal entities

| Number of employees in paid employment in legal entities | 2012 | 2013 | 06/2014 | 2014/2013 |
|--|---------------|---------------|---------------|---------------|
| Total | 1.153.497 | 1.132.246 | 1.124.946 | -0,64% |
| C Manufacturing | 207.298 | 201.950 | 199.374 | -1,28% |
| C13 Manufacture of textiles | 4.070 | 3.719 | 2.960 | -20,41% |
| C14 Manufacture of wearing apparel | 15.551 | 14.244 | 14.593 | +2,45% |
| C15 Manufacture of leather and related products | 8.825 | 8.752 | 9.632 | +10,05% |
| Total C13, C14, C15 | 28.446 | 26.715 | 27.185 | +1,76% |
| Share of C13, C14, C15 in C | 13,72% | 13,23% | 13,64% | +0,41% |
| Share of C13, C14, C15 in total | 2,47% | 2,36% | 2,42% | +0,06% |

Source: Croatian Bureau of Statistics

⁶ <http://www.eizg.hr/en-US/New-edition-of-Croatian-Economic-Outlook-Quarterly-1317.aspx>

⁷ http://www.dzs.hr/Hrv_Eng/publication/2014/09-02-01_06_2014.htm

The share of women employed the C13, C14 and C15 in 2013 is 82%, while in 2014 the share of women in total number of person employed in the C13, C14 and C15 is 81%.

Textile, clothing, leather and rubber is a rare sector that recorded positive growth in the total number of employees in 2014 compared to the previous year. While the number of employees in textile production continues to decline, number of employed persons in production of leather, leather products and garment increased. These figures are very important due to the fact that the sector TCL employs the most vulnerable group of labour such as: woman with low qualifications, middle-ages, with almost no opportunity for re-employment once they lose their jobs.

Actions which focus on preservation of each job in this sector has to be emphasized also because of social inclusion of this kind of workers. Government of Republic of Croatia, together with social partners, unions and employers representing the TCL sector, on the 20th of April 2010 signed an Agreement on establishing the Social council for the TCL sector. That was the first tripartite sectoral social council in Croatia.

4.3.3 Average net wages in paid employment in legal entities in Croatia

Table 5.: Average net wages in paid employment in legal entities in Croatia⁸

| | 2013 | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII |
| Total | 5 529 | 5 447 | 5 516 | 5 478 | 5 581 | 5 486 | 5 504 | 5 513 | 5 428 | 5 506 | 5 634 | 5 556 |
| C Manufacturing | 4 858 | 4 800 | 4 777 | 4 841 | 5 038 | 4 882 | 4 923 | 4 881 | 4 851 | 4 934 | 5 101 | 4 901 |
| C13 Manufacture of textiles | 3 503 | 3 298 | 3 341 | 3 340 | 3 449 | 3 258 | 3 386 | 3 479 | 3 422 | 3 504 | 3 569 | 3 506 |
| C14 Manufacture of wearing apparel | 2 930 | 2 813 | 2 809 | 2 838 | 2 869 | 2 926 | 2 996 | 2 902 | 2 901 | 2 917 | 2 968 | 2 951 |
| C15 Manufacture of leather and related products | 2 915 | 2 845 | 2 859 | 3 046 | 3 031 | 3 062 | 3 084 | 3 076 | 3 114 | 3 226 | 3 198 | 3 094 |

Source: Croatian Bureau of Statistics

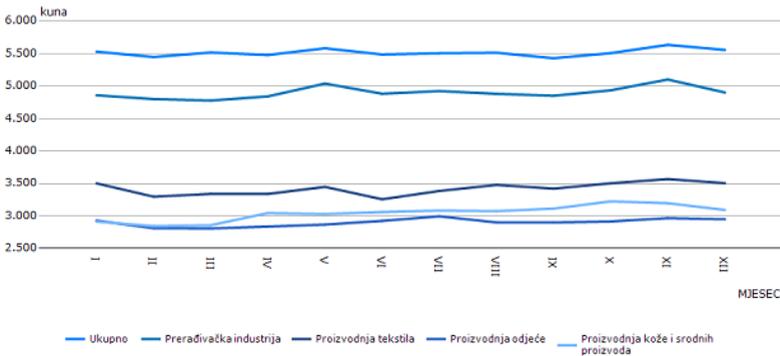
Average net wage in manufacturing paid in December 2013 makes 88% of average net wage paid in all legal entities in Croatia. Average net wage in manufacture of textile is just 72% of average net wage paid in manufacturing industry (C) and 63% of average net wage paid in all legal entities in Croatia. Average net wage in manufacture of apparel is just 60% of average net wage paid in manufacturing industry (C) and 53% of

⁸ Source: Croatian Bureau of Statistics

http://www.dzs.hr/App/PXWeb/PXWebHrv/Table.aspx?layout=tableViewLayout1&px_tableid=Zaposlenost+i+pla%u0107e%5cT2_HR.px&px_language=hr&px_type=PX&px_db=Zaposlenost+i+pla%u0107e&rxid=fc9d580f-2229-4982-a72c-cdd3e96307d3

average net wage paid in all legal entities in Croatia. Average net wage in manufacture of leather and related products is just 63% of average net wage paid in manufacturing industry (C) and 56% of average net wage paid in all legal entities in Croatia. Lowest average salaries within manufacturing industry, but also the entire Croatian economy, makes of TCL sector a sector that is completely unattractive.

Chart 4. Average net wages by manufacture, year and month⁹



Source: Croatian Bureau of Statistics

4.3.4 Social dialogue

SOCIAL DIALOGUE IN THE EUROPEAN UNION

„In the context of agreements on a range of issues such as parental leave; part-time and fixed term employment contracts; work councils; and working time, social dialogue has developed from consultation to social governance. Today, it is impossible to envisage policy processes being implemented in any parts of the EU without the serious involvement of the social partners. Social dialogue is seen as a key force for innovation and change (Commission of the European, 2002a). More broadly, social dialogue is increasingly seen as a part of a comprehensive civil dialogue, which involves different civil society actors, such as associations, foundations, non/profit institutions, and civil initiatives.”¹⁰

SOCIAL DIALOGUE IN THE REPUBLIC OF CROATIA

„Subsequently, the institutional framework for social dialogue was improved through three events: the adoption of the Agreement about the Economic-Social Council and other forms of social partnerships; the adoption of the agreement “Partnership for Development”, signed by the Government, the employers

⁹http://www.dzs.hr/App/PXWeb/PXWebHrv/Chart.aspx?layout=chartViewLine&px_tableid=Zaposlenost+i+pla%C4%87e%5cT2_HR.px&px_language=hr&px_type=PX&px_db=Zaposlenost+i+pla%C4%87e&rxid=fc9d580f-2229-4982-a72c-cdd3e96307d3

¹⁰ Zrinščak, S. Extended social Europe? Social policy, social inclusion and social dialogue in Croatia and the European Union, pg 169

federation (HUP) and four trade unions; and the establishment of the Office for Social Partnership in Croatia. The latter, in particular, received substantial support, both financial and technical, from USAID.”¹¹

„In this sense, the recent EU conclusion, in the avis, that social dialogue is “quite developed” in Croatia does not appear to be justified. In this respect the Croatian situation is very similar to that found in other post/communist countries: “The annual reports on the achievements of the acquis concentrated on the existence of the legal grounds of social dialogue. They rarely produced a critical assessment on the implementation of the legislation... Lacking the obligatory nature of rules governing this field, the efforts of EU agents proved insufficient to overcome the impediments to establishing effective social dialogue” (Ferge i Juhász, 2004:238). Unlike Hungary, however, where there was a degree of EU financial support for social dialogue, the strong role of USAID in Croatia has, at least implicitly, tended to push policy transfer in the sphere of social dialogue based on the somewhat different US experience.”¹²

SECTORAL SOCIAL DIALOGUE

Sectoral social dialogue is a bipartite dialogue within a sector (activity/branch). In Croatia, institutionalization of this form of social dialogue started in 2010, with the establishment of sectoral social councils. But, the first two sectoral councils were established as tripartite: Social council for the textile, footwear, leather and rubber sector (established on 20 April 2010) and Social council for the sector of forestry and wood industry (established on 6 December 2010), and the agreements on their establishment were signed by trade union confederations and Croatian Employers’ Association (CEA).

It was only the third sectoral council that was established autonomously by trade unions and employers’ association on the 9th of December 2011, along the model of the EU Member States – Social council for road transport.

SOCIAL COUNCIL FOR SECTOR OF TEXTILE, FOOTWEAR, LEATHER AND RUBBER

Social council for sector of textile, footwear, leather and rubber (SV TOKG) has 21 members. Every social partner should have 7 representatives.

From the part of state there are:

- 2 representatives from Ministry of economy;
- 2 representatives from Ministry of entrepreneurship and crafts;
- 2 representative from Ministry of labour and pension system.

There is open possibility for academics, NGO’s and local authority to participate in social council as some kind of advisers.

¹¹ Zrinščak, S. Extended social Europe? Social policy, social inclusion and social dialogue in Croatia and the European Union, pg. 175

¹² Zrinščak, S. Extended social Europe? Social policy, social inclusion and social dialogue in Croatia and the European Union, pg. 175

5. NECESSARY STEPS TOWARDS IMPLEMENTATION OF EUROPEAN SOCIAL DIALOGUE OUTCOMES IN THE PARTICIPATING COUNTRIES AND SECTORS

5.1 Montenegro

RUMICA KOSTIĆ, MONTENEGRIN EMPLOYERS FEDERATION

“Social dialogue and its implementation in the country, along with compliance with legislation, can contribute to economic development and progress of society as a whole. It is a tool that upholds the creation of business environment supportive to new businesses growth, sustainability and investments. For that reason, the main interest of social partners – on both bipartite and tripartite level – has to be based on agreement, compromise and best possible solutions.

Projects implemented by social partners focused on strengthening social dialogue in certain sectors through examples of good practices in bipartite negotiations in EU countries (Slovenian example is very interesting and useful for Montenegro) additionally point to necessary steps Montenegro is to take towards implementing European social dialogue model in certain sectors. Transfer of knowledge and experiences of EU member states contributes to the development of textile industry in Montenegro “

VIDAK ĐURANOVIĆ, TRADE UNION OF TEXTILE, LEATHER AND CHEMICAL INDUSTRY OF MONTENEGRO

“Despite negative trends in textile and leather production in Montenegro, there is a great potential for future recovery and development in this area. In order to achieve this we have to join forces and influence decision makers so that a more favourable environment for enterprises in this sector is created. This should be the main goal of social partners when providing clear guidelines for recovery and development of the sector.

One of the main rules of social dialogue is that employers and workers associations are considered partners and not enemies. Joint consultations of social partners, formal meetings, exchange of experiences and suggestions can only contribute to strengthening this partnership. In the coming period, social partners in Montenegro should work more intensely on adapting and aligning social dialogue to EU standards thus promoting further development of their organisation in the process of EU accession.”

5.2 Croatia

The most productive period of Social Council for Textile, Footwear, Leather and Rubber Sector (SV TOKG) was during the presidency of Croatian Employers' Association, and most unproductive during presidency of Government of the Republic of Croatia, i.e. Ministry of economy, where Social Council (SV TOKG) met only once during the year 2013. From that moment up to now social dialog in sector TCL, completely became extinct.

Social partners pointed their problems, associated with work of social council TOKG, to the minister Mirando Mrsić which suggested change of organization from a tripartite model of social council to a bipartite, what social partners did not accept. According to employers and unions, the problem of the sectoral social dialogue does not repose in their mutual relations. Yet for the settlement of identified problems they need „a third side“, and that is the Government of the Republic of Croatia. This issue is still not resolved. Concerning organization and functioning of Social Council for the TCL sector (SV TOKG), it is uncertain what will be the final

outcome. The projects like STRONG TCL: Strong partnership for an enhanced social dialogue in the textile, clothing, and leather sector in Slovenia, Croatia, Macedonia, Montenegro and Serbia, are of a great help. Its activities stimulate development and functioning of social dialogue.

Croatian Employers' Association - Textile and Leather Industry Association, thanks to this project, organized a workshop (Zagreb, 1st of April 2014) where most of the members of Social Council (SV TOKG) participated. The only representative from Government of the Republic of Croatia was representative from Ministry of Economy. Measures to increase competitiveness and to preserve jobs in the TCL sector were discussed. Also, a meeting with Minister Mirando Mrsić (Ministry of Labour and Pension System) regarding problems in functioning of the Social Council (SV TOKG) was initiated.

According to the conclusions of the workshop and the Executive Board of CEA - Textile and Leather Industry Association session held on 1st of July 2014, following recommendations were sent to the Minister Mirando Mrsić:

1. Social partners have developed good social dialogue. Direct involvement of representatives from Government of the Republic of Croatia would result in better social dialogue. Therefore members of CEA-Textile and Leather Industry Association insist on **tripartite organisation** of Social Council (SV TOKG).
2. Depending of topics raised on the Social Council, Ministry of Labour and Pension System should ensure administrative and expert help through providing **competitive participants** from other government bodies and ministries, which are able to participate sovereignly in discussions and give opinion and statement, implying a rank of minister's deputy or assistant.
3. Recommendation for the members of Social Council (SV TOKG) representing Government of the Republic of Croatia: - Ministry of Economy to be a permanent member, instead of present three ministries: Ministry of Economy, Ministry of Labour and Pension System, Ministry of Entrepreneurship and Crafts.
4. It is necessary to reduce the number of Social Council (SV TOKG) members, in order to facilitate the functioning of SV TOKG and to ensure quorum. Recommendation is to appoint 4 members and 4 deputies from each of social partners (government, employers' and union side).

6. NECESSARY MODERNISATION OF LABOUR MARKETS AND COLLECTIVE AGREEMENTS IN ORDER TO FACILITATE CREATION OF MORE AND BETTER JOBS

6.1. Macedonia

In Macedonia, the most important things that social partners determined is the urgent need for a strong social dialogue through which they will be able to come to common solutions that will be in favour of either side, on the side of the employers or the side of workers and it would lead to sustainable development of the economy. So the accomplishment of a general agreement should point out the need for the long-term reforms but also quick reactions to overcome the particular crisis that has hit the textile and leather sector. Misunderstandings of specific measures and policies can arise among both parties (employers- workers) in industrial relations,

which in turn on the other hand represent a large and solid indicator for the necessity of dialogue between these two parties.

Social dialogue in the textile, leather sector in Macedonia generally has a success in the past 10 years. However the trade union and the employers strive to reach a compromise and satisfactory conditions for both sides. Additional efforts are needed to strengthen the cooperation between trade unions and the employers' organizations in order to consolidate bipartite social dialogue. Contrary to the fact that some employers' organizations have greater capacity, they are often fragmented and they do not cooperate with each other as well as the trade unions. The cooperation between these two parties will improve the situation for the companies and for workers in the sector and would potentially lead to the development of industrial relations. In a region with big unemployment rate, where the informal economy is the dominant problem, the representatives of employers associations and trade unions should be set as central actors in the things that directly or indirectly affect labour market. There is a need for strengthening cooperation with the media which could lead to development of the common organization of the Civil society-union partnerships and strategies for support. In fact, only a true collaboration between all stakeholders (public institutions, trade unions, organizations of the employers, NGOs, the media) can help in the creation of socio-economic progress and fulfilment of the interests of the employer and employee.

Long term goal is to harmonize the laws of the country and legal systems to be not only compatible with the provisions of the respective international instruments that regulate the socio-economic rights but also to apply appropriate and comprehensive approach that will create better conditions for respect of these rights. On the other hand if the high rates of unemployment, poverty and national and regional conditions are excluded in the creation of the policy the laws and mechanisms of implementation will not be able to promote dignified work, quality jobs and sustainable development of the economy. This will affect the social dialogue too. Corporate culture based on participation of employees, building mutual trust among stakeholders is one of the many key factors for successful functioning of the textile sector, and the creation of more and better jobs. These contribute to the positive impact of the social dialogue and the implementation of initiatives and activities to improve the working conditions. There is a need for modernisation of labour markets in order to provide new and innovative products and make TCL sector more competitive on the market. This means raising the awareness for modernisation of the labour market, flexicurity, skills, quality of work and decent work. The raised awareness of this need will force us to learn techniques from the European social dialogue in order to negotiate more efficiently. With the implementation of the European and International Standards, with the European model of a social dialogue this sector would increase competitiveness would improve financial results, will lead to opening of a new jobs in an innovative, growing sector. This will lead to building professional networks with international experts of this sector which would have a huge advantage taking into consideration the educational cause and the establishment of opportunities for mutual cooperation.

The export of own products to the EU markets is not on a significant level for most of the employers in textile sector in Macedonia. To be able to design clothes and create brands there is a need of educated staff and managers with a vision. Many of the managers of the clothing companies feel a need to get additional training in management and marketing. Their knowledge of foreign languages is very low and hardly any of them uses internet. Consequently, to have a more competitive TCL sector, there is a need of changing the education system and there is a need for obligatory practice for the students involving the employers and vocational schools on a local level. There is a need for systemic approach to adult education. Accordingly there is a need of adapted standards for vocational qualifications.

Development of strategies and action plans with budgets are necessary for growth and sustainable development of this sector. This has to include social inclusion policies for the benefit of the most vulnerable groups.

6.2. Montenegro

As already stated above and recognised as a trend of Montenegrin economy, the sector of textile and textile products has decreased drastically. This is confirmed not only by official data but the real state of affairs in Montenegro.

Once strongly developed sector, textile has now the share of only 0,1% in the total industrial production in Montenegro. Naturally, this has led to lower number of employees in the sector as well as to the lower average salary in the sector compared to the average salary in the country.

The number of enterprises operating in this sector today has shrunk to only a few. Once famous for good-quality and highly competitive textile production, Montenegro nowadays faces the same challenges as Europe – globalisation and mass production. Still, positive examples exist – the one being a medium size enterprise from Berane (north-east of Montenegro) producing shirts and other textile products – La Vista.

Numerous surveys and studies have led to a unanimous conclusion that Montenegrin labour market is characterised by structural mismatch between demand and supply whereby the most important problems recognised are:

- A mismatch between demand and occupation profiles generated by the education system. In this sense, there are certain profiles (much of those textile-related) which are highly unpopular among youth;
- On the other hand, certain profiles are hyper produced meaning that those that acquired them have difficulties finding jobs. Consequently, they are either forced to work out of their field of expertise or end up unemployed;
- High informal economic activity. This is largely present in the services sector. Nevertheless, informal economic activity is substantially present among small producers comprising textile and leather production as such;
- High regional discrepancies in employment/unemployment. The north of Montenegro is the worst hit by unemployment which consequently leads to migration towards central and southern part of the country.

Except negative factors there are huge numbers of positive facts that suggest potential improvement of the labour market in Montenegro, primarily in the context of job creation. As the most important positive factors are the following:

- Less taxation than in the most EU member states;
- Increased flexibility as a result of the reform of Labour Law;
- Development chance in north region of the country;
- EU accession and harmonization of national legislation;
- Big potential of country for development of SMEs in Montenegro;
- Chances for economic recovery from the economic crisis.

In the context of collective bargaining in Montenegro it is necessary to strengthen the capacities of social partners with the purpose of creating friendly environment for economic growth and sustainable companies. Because of that, in all daily activities and also in project activities MEF involve all social partners and on that way stimulate transfer of experiences of social partners and also exchange of arguments and problems that social partners face with. It is very important to mention that social dialogue and collective bargaining in Montenegro are characterised by positive attitudes of all social partners and mutual understanding of partners when it comes to some specific topics.

Of course, the future of collective bargaining and collective agreements is in their harmonization with the EU practices. Montenegro should work further on promotion of social dialogue that during the economic crisis was recognized as a powerful tool in maintaining economic stability.

Not less important for Montenegro is to work more on labour market reforms. One of the potential solutions for improvement of labour market conditions promoted by Montenegrin Employers Federation is self-employment and entrepreneurship development especially in underdeveloped regions of Montenegro as one way to increase employment. Promoting entrepreneurship is also a key to a transition of informal to formal economy that can greatly strengthen the sector of textiles and manufacture of textiles and leather, especially in the north of the country.

In this context, MEF believes that a credit line (policy) with favourable conditions for start-ups in the fields of agriculture, trade, tourism and craft is highly needed. Also, the support and credit lines for small producers of textile and products of textile and leather can be very stimulant in transition of these producers from informal to formal economy.

On the other side, further work and initiatives focused on more investment in education of employees in Montenegro is essential. We should improve the knowledge, skills and competencies in order to increase employment opportunities through formal learning, informal learning and training. Most of studies showed that in Montenegro employees need more education for soft skills (communication, presentation...) but also improvement of knowledge in a field of EU standards in industrial production and modernization of machineries in textile industry. Generally speaking, implementation of the concept of lifelong learning is to be improved if we want to have competitive workforce.

6.3 Croatia

6.3.1 Collective agreement

The other form of sectoral social dialogue is collective bargaining. Collective Agreement is a special agreement in the field of labour law which is in writing voluntarily concluded by the employer of employers' association, i.e. association of employers of a higher level on one side and trade unions or associations of trade unions of a higher level, as workers' representatives on the other side, and which regulates working conditions and mutual relations of signatory parties.

Collective agreement increases the level of material and other workers' rights (above the minimum which is set by the Labour Code).

6.3.1.1 Branch collective agreements in Croatia

Currently in Croatia the following branch collective agreements (in private sector) are in force for:

- Security services;
- Wood and paper industry;
- Construction;
- Commerce (cancelled);,
- Humanitarian mine-clearing;
- catering and for travel agencies.

6.3.1.2 Extension of a collective agreement

Four collective agreements – for wood and paper industry, construction, commerce and travel agencies – have been extended by minister's decision, which means they apply to all employees in the activity and are obligatory for all employers. The decision on the extension of a collective agreement is taken by the minister on the proposal of a party to a collective agreement, and is extended (to persons who did not participate in its conclusion and who have not joined it afterwards) if the impact assessment shows there is a public interest for its extension and if it has been identified that the collective agreement has been concluded by trade unions with majority membership as well as the employers' association with largest number of employees in the area to which collective agreement is to be extended.

6.3.1.3 Textile industry

There is no sectoral collective agreement. Social partners negotiated about sectoral collective agreement but without final result.

6.3.1.4 New labour code

Collective bargaining has changed through the new Labour Act and Act on Representativeness.

LABOUR CODE – COLLECTIVE AGREEMENTS

The provisions of the extended application of the legal rules contained in collective agreements are returned into the Labour Code. The provisions with a significantly reduced content were in 2012 transferred to the Act on criteria for participation to the tripartite bodies and representativeness for collective bargaining.

According to the new Labour Code, all collective agreements which have ceased with the expiry date of validation to which they were settled or cancellation *ex lege* would apply until the conclusion of new collective agreement, but up to three months maximum. However, the parties to the collective agreement have a possibility to agree on the extended application up to six months maximum.

The reason for cancellation of collective agreement is regulated differently in the new Labour Code. In case of cancellation, reasons that would allow the cancellation could be for instance changed circumstances (clause *rebus sic stantibus*). Employers have doubts about suitability of that kind of binding the institute of cancellation of agreement and amendments, i.e. cessation of the agreement due to the changed circumstances. Employers' proposal was to apply by subsidiarity the provisions from Civil Obligations Act related to the cancellation of permanent contractual relations.

Both of these changes demands a great caution to the contract parties in process of concluding the collective agreements, particularly regarding the duration of collective agreement, definition of the period of notice and reasons for cancellation, but also how the prolonged application of legal rules contained in collective agreements is arranged.

Past experience shows that the gaps in terms of the development of those issues contributed significantly to the rigidity of the Croatian system of labour relations, and thus affected the labour costs and competitiveness of Croatian products and services.

IMPORTANT AMENDMENTS TO ACT ON REPRESENTATIVENESS OF EMPLOYERS' ASSOCIATIONS AND TRADE UNIONS

a) Deleting specific provisions on trade union representativeness

Representativeness Act no longer contains specific provisions on the representativeness of trade unions. But representativeness of trade unions will be established under the general provisions/conditions. Thus, trade unions (such as for instance Croatian Medical Trade Union) which have relatively small number of members, but with high strike potency, compared to other trade unions, will not be representative in the collective bargaining any more.

b) Changes in duration of period of representativeness

The representativeness of the national trade unions and employers' organizations shall be extended to five years, while the representativeness in collective bargaining will be linked to the validity of the collective agreement. Prior to the expiration of the collective agreement, a question of trade unions' representativeness for collective bargaining is only able to open the trade union that in the meantime has gained all the requirements for representativeness.

c) Negotiation on the Amendments in Collective Agreement

Amendments in Collective Agreement can be negotiated only with the trade union's bargaining committee that negotiated and concluded the current Collective Agreement.

New Collective Agreement can be negotiated only with a new trade union's bargaining committee, established by respecting new rules and process for determining their representativeness.

Prior to the expiration of the collective agreement, trade unions' representativeness for collective bargaining can be questioned only by trade union that in the meantime has also gained all the requirements for representativeness. Trade union, whose request for determination of the representativeness has failed, will not be able during period of one year to request re-determination of representativeness.

d) Representativeness criteria for participation in collective bargaining

In case where only one trade union operates within a company, that trade union is the only union that is representative for collective bargaining regardless of the number of its members and the share of employees in union membership. If several trade unions operate within a company, the representativeness will be assigned to one trade union and based on mutual agreement of all active trade unions within a company. So, if several trade unions operate within a company, all of them will be requested to agree whether all of them or just some of them are representative. Given that the new law provides that the collective agreement is valid only if signed by representative trade unions representing at least 50% of the members of all representative trade unions, the agreement on establishing the representativeness must determine the number of members of each representative trade union.

If trade unions are not able to reach agreement on their representativeness, the representativeness is determined by the Commission for determining the representativeness. Process of representativeness determination carried out by Commission regards only trade unions that have at least 20% of union's members.

The Act opens new possibility of conclusion of collective agreements at one more level, national level. National general collective agreement can be reached by the representative social partners who are members of national Economic – Social Council.

So far the levels regarding the coverage of employers are determined as usual, but the request for determination of representativeness of a group of employers is abandoned. At a group level, employers will be able to conclude a collective agreement. From the side of trade unions, collective bargaining has to include all trade unions representative at lower levels. Areas for which the representativeness is determined and collective agreement concluded, the NACE code is the only criteria valid for State and public services.

e) Committee for collective bargaining

The provisions concerning the representation of parties in collective bargaining are clarified. As for the employers' side of it, the private sector alone determines who will represent them in collective bargaining. If the employer is the state, public services or other facilities owned by the state, then the employers' bargaining committee is determined by the Croatian Government, the Minister or the body of the local or regional (regional) authority.

Trade unions have to agree upon their members in bargaining committee. If they do not reach the agreement in a prescribed deadline, each representative trade union has right to delegate one representative to the bargaining committee.

However, if trade unions mutually agreed on their bargaining committee members, employer can bargain only with that committee.

Actual rule continues to apply: trade union's bargaining committee is allowed to have 11 members maximum.

f) Representativeness is required for the validity of the collective agreement

The proposal of the new act introduces new criteria for validity of the collective agreement. For the collective agreement to be in force it is necessary that the signatories from the side of the trade unions are representative i.e. to have more than 50% members of the total number of workers unionized in representative trade unions. This is a way to prevent the collective agreement to be concluded by the trade unions that do not have support of the majority of unionized members at the level of collective bargaining.

g) Possibility of cancelation of some "old" collective agreements

If the collective agreements were concluded by trade unions that have not undergone the procedure of determining the representativeness for collective bargaining prescribed by the Representativeness Act (adopted in 2012), then under Article 31 of the draft of the Final Proposal of the new Representativeness Act employers can cancel such collective agreement regardless of the procedure and the reasons attributed to the cancellation in that collective agreement, if trade unions within 15 days from the date of the employers' invitation to launch bargaining for a new collective agreement does not launch a procedure for determining the representativeness. Obviously, this is a possible way to remove some old collective agreements from the legal system.

6.3.1.5. Minimum wage act

Minimum Wage Act that was adopted on the 30th of May in 2008 and put into the force on the 1st of July 2008 (Official Journal 67/08) has stopped social partners from the bargaining of for a collective agreement in TCL industry.

Minimum Wage Act regulates:

- Minimum wage in the Republic of Croatia;

- Methodology for the minimum wage harmonization;
- Supervision and control on the implementation of the Minimum Wage Act's provisions;
- Types of criminal sentences for non-payment the minimum wages to workers.

The minimum wage paid on the 1st July 2008 was at a level of 39 percent of the average wage paid in 2007, wherein the average salary throughout the past year was calculated, which is more favourable to workers.

The employer must pay the employee the salary specified in the Collective Agreement, Work Regulations, Work Contract, but the amount of the minimum wage prescribed in Minimum Wage Act.

In practice this means that the mentioned Act only stipulates a minimum wage and if the wage, to which the employee is entitled on the basis of the branch collective agreement or employment contract, was less than the prescribed minimum wage, the employee is entitled to a minimum wage prescribed in Minimum Wage Act.¹³

For some specific industrial sectors, such as textile, wood and paper, leather and footwear industry a four-year transition period was foreseen. During that four-year period a share of minimum wage would be multiplied by a certain coefficient, from 0,94 in the first year up to 0,98 in the last (fourth) year.

As of 1st of July 2008 a minimum wage for these sectors is settled up to 94 percent of the minimum wage regulated by the law and it was 2.583,43 HRK per month.

During a period of next three years, minimum wage in the textile, wood and paper, leather and footwear industry was supposed to grow progressively; in second year up to the 96 percent of minimum wage, in third year up to 97 percent, in fourth year up to 98 percent of the minimum wage defined by the law for that year. Only in the fifth year of implementation of the Minimum Wage Act, all sectors are supposed to be equal and the workers should receive the same minimum wages.

However, due to the strong recession there were certain changes. Since the adoption of the Minimum Wage Act in Croatia, i.e. since 2008 until the 2013, the amount of minimum wage has changed three times (in 2008, 2012 and 2013). Current minimum gross salary in Croatia is 3.017,61 HRK. Minimum wage for 2014 is currently

CONSENSUS OF THE SOCIAL PARTNERS

The adoption of the Minimum Wage Act has terminated the negotiations for a collective agreement in the textile, clothing and leather industry (TCL). Sector TCL is labour intensive. The share of wages in total costs is quite high, so minimum wage is of a great importance for the sector. Due to the fact that the most sensitive element of social dialogue in the sector, minimum wage, is regulated by Act, there was a lack in motives for continuing the bargaining for the other rights.

The disadvantage in the annual process of defining which amount will be set for minimum wage, is that the side of trade unions that is negotiating represents public and not industrial sector. Furthermore, minimum wage does not influence the public sector in any sense. (Table 5).

Employers and trade unions at sectoral level mostly do not have problems in reaching the consensus in certain areas. Thus, in 2014 they jointly proposed measures to improve competitiveness of the TCL sector and to preserve the jobs. The proposed measures regard the cost reduction of the gross salary for 25 percent or a measure gross salary to be a net salary i.e. gross = net.

¹³ Izvor: <http://www.tax-fin-lex.hr/StaticContent/TFLGlasnik/TFLGlasnik-2008-25.htm>

These two measures can be implemented only if following criteria are fulfilled:

- Share of employed woman in total number of employees of a company $\geq 65\%$;
- Average gross salary in a company $\leq 65\%$ of the average gross salary paid in total legal entities in Croatia.

A similar measure at EU level one can find in the South Italy where gross salary is equal to the net salary.

Gross wage = Net wage

Industrial strategy of the Republic of Croatia 2014-2020 also suggests a decrease in payment of contributions paid within gross wage by the employers, but according to the criteria of worker's age.

The system of incentives for employment of elderly, persons older than 50 years in export oriented companies (those over age of 60 years pay 25% of contributions, persons aged 50 to 60 years pay 50% of contributions – *vertical measure*¹⁴).

RECOMMENDATIONS FOR MODERNIZATION OF LABOUR MARKETS AND COLLECTIVE AGREEMENTS IN ORDER TO FACILITATE CREATION OF MORE AND BETTER JOBS AND THE COMPETITIVENESS OF THE SECTOR

a) Creating a social partner's network through EU projects

EU projects not only contribute to networking and exchange of experience among partners and within a project itself but also, they have the capacity to stimulate all social responsible stakeholders on collaboration on national level also. EU projects are often an incentive for more intensive collaboration between social partners.

b) State institutions support through active participation

Social partners in Croatia are very often treated as concerned public which means that they are included only in the last phases of the process of drafting proposals for legal acts in Croatia – in public hearing. Social partners alarmed several times about that problem through different forms of legal means but without any success to date. That proves that today's social dialogue Croatia has great formal legal basis but there is a lack in practical implementation.

Furthermore, due to the project "Strong TSC Strong partnership for an enhanced Social Dialogue in the Textile, Clothing and Leather Sector in Slovenia, Croatia, Macedonia, Montenegro and Serbia«, social partners managed to stimulate the representatives of the Government of Republic of Croatia to participate actively in workshops that were organized within the project. Also, social partners raised the question of sectoral social dialogue that became extinct during a certain period of time and the need for its rebirth. Through the mutual activities on the project, social partners communicated previously agreed measures for improvement of competitiveness of the TCL sector and preservation of jobs, at the national level and beyond.

c) Recognisability of the TCL sector

The perception of TCL sector in public is negative for many years, not only in Croatia but also abroad. Low prices of products coming from Asia dictated a shutdown of production in facilities around Europe and many job cuts. Low salaries in this industry are a bad motivation for youngsters to be educated for occupations which are characteristic for TCL sector/industry. Despite positive

¹⁴ Izvor: MINGO, Industrijska strategija Republike Hrvatske 2014.-2020., str 29, siječanj 2014., Zagreb

examples and the companies that: - employ large number of workers, - easily find market for their products without major difficulties, - continuously manage to resist to the long recession, while legislation is changing continuously, perception of TCL industry is quite negative. This negative perception is supported by a document of *Industrial strategy of the Republic of Croatia 2014-2020* which textile, clothing and leather industry unduly characterise as “problematic” one.

d) Participation in European social dialogue

Participation in EU Sector Social Councils would certainly make a position of social partners stronger. Social partners would be able, not only to follow the issues related to the sector at EU level, but also to foster a discussion about certain issues that are of interest for TCL sector at national level also.

e) Strong membership in the trade unions and employers’ organizations

Unions and employers activities should be directed towards increase of their members. By stronger and more numerous membership one will get the better social dialogue, but also stronger common activity via Sectoral Social Council for the textile, footwear, leather and rubber. In this sense, it is necessary to support social partners in developing the skills and knowledge needed for attracting new members. One of the possibilities certainly is social partner’s participation in EU projects. We strongly recommend further upgrade of the activities, according to the needs and showed interest of social partners, via possible future EU projects.



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